

**HUD Notice H04-11/PIH-2004-11**  
**Income Calculation Regarding Medicare Prescription Drug Cards and**  
**Transitional Assistance**  
**Issued July 15, 2004**

**Owners/agents should read the Notice in its entirety. It is available at [www.hudclips.org](http://www.hudclips.org).**

**General**

The Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA) provides discounted prescription drug prices to eligible participants. In addition to the drug discount, Medicare beneficiaries whose incomes are not more than 135 percent of the poverty line (in 2004, \$12,569 for singles or \$16,862 for married individuals) and do not have certain other drug coverage may receive a \$600 transitional assistance subsidy in 2004 and 2005. The MMA specifically mandates that these drug benefits not affect the benefits received under any other federal program.

**HUD Implementation Instructions**

In order to ensure that MMA benefits do not affect assistance levels under its programs, HUD has made slight revisions to the annual and adjusted income calculations.

*Annual Income*

When calculating the annual income for a family none of the benefits received under the MMA may be counted towards annual income. This includes drug discounts and the transitional assistance (\$600 subsidy) received under the MMA.

*Adjusted Income*

The calculation of adjusted income requires that the full, undiscounted/unsubsidized market price of drugs be counted towards the medical deduction rather than the actual out-of-pocket cost to the applicant/tenant. In addition, some of the drug discount cards require a \$30 enrollment fee. The enrollment fee must also be included as a medical expense.

The Notice applies to public housing, the Housing Choice Voucher Program and all programs regulated by the HUD Handbook 4350.3. These include:

- Section 221 (d)(3) BMIR
- Section 236
- Rental Housing Assistance Program (RAP)
- Rent Supplement
- Section 8 (New Construction, Substantial Rehabilitation, State Agency, Rural Housing, Loan Management Set-Aside and Property Disposition Set-Aside)
- Section 202/8
- Section 202 Pac
- Section 202 PRAC
- Section 811 PRAC

**The Notice was effective July 15, 2004.**

Owners/agents should review any recertifications/move-ins/initial certifications completed on or after July 15, 2004 to determine if any of the residents need to have rents recalculated. If rent recalculations are necessary, corrected 50059's must be submitted that reflect the change.

Owners/agents will likely need to modify prescription drug verification forms to include language asking if the tenant is a participant in the Medicare prescription drug program and, if so, to verify not only the actual out-of pocket cost to the tenant, but also the discount/subsidy received OR the full undiscounted/unsubsidized price of the drug received. This is increasingly tricky because under Section 504 and HIPPA, medical records/ disability information is private.

- Many insurance companies offer drug discount programs. Notice H04-11 is only applicable to those receiving discounts/subsidies through the Medicare sponsored program. This means the verification form needs to be very clear.